

Message Text

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ACTION XMB-04

INFO OCT-01 EA-06 ISO-00 EB-07 COME-00 /018 W

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P R 210615Z MAY 75

FM AMEMBASSY TAIPEI

TO SECSTATE WASHDC PRIORITY 5245

INFO AMCONSUL HONG KONG

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E.(\$ 11652: N/A

TAGS: EFIN, TW

SUBJECT: RECOVERY OF MACHINES FROM PRESTO TAIWAN

DEPARTMENT PASS EXIM BANK

REF: STATE 109645

1. SUMMARY: PRESTO HAS OFFERED TWO ALTERNATIVES TO RAND INVOLVING RETURN OF 2 OR 4 OF MACHINES TO ACME. LAWYERS HAVE ALSO BEEN CONSULTED RE POSSIBLE ATTACHMENT OF MACHINES. EMBASSY/RAND RECOMMEND FIRST ALTERNATIVE
END SUMMARY.

2. RAND AND EMBASSY OFFICER CALLED ON PRESTO TAIWAN CHAIRMAN EDWARD RECHFELDT AND PRESIDENT FRANK ESKUCHEN. BOTH THESE GENTLEMEN HAVE EQUAL INVESTMENTS IN COMPANY WHICH MAINTAINS OFFICES IN LARGE SUITE WHERE REHFELDT'S (EDWARD, BOTHER CHARLES, AND SON EDWARD III) CONDUCT A NUMBER OF OTHER BUSINESSES UNDER OTHER COMPANY TITLES. THESE AGENCIES OR DISTRIBUTORSHIPS INCLUDE NORTHWEST AIRLINES, RCA COLOR TELEVISION SETS, AMANA REFRIGERATOR EQUIPMENT, BOSCH SPARK PLUGS AND OTHERS.

3. PRESTO HAS NOW TRANSFERRED PROCEEDS OF SALE OF FIRST TWO MACHINES TO ACME WHICH HAS ALREADY ACKNOWLEDGED RECEIPT OF \$71,000, ACCORDING TO DOCUMENTATION EXHIBITED BY PRESTO.

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4. PRESTO OFFERS FOLLOWING ALTERNATIVES:

(A) RETURN OF REMAINING FOUR MACHINES IF WAIVER ON \$44,000 IN DUTIES CAN BE ARRANGED OR IF 20 PERCENT OF VALUE WERE TO BE PAID TO FIRST NATIONAL CITY BANK WHICH IS OWED SOME \$200,000 OR

(B) RETURN OF ONLY TWO MACHINES IF WAIVER CANNOT BE ARRANGED, REMAINING TWO MACHINES TO BE SOLD IN TAIWAN WITH PROCEEDS TO BE DIVIDED EQUALLY BETWEEN ACME-SOCIETY BANK AND FIRST NATIONAL CITY BANK. PRESTO STATES THAT FNCB AND TRADE CREDITORS (OWED ABOUT \$40,000) WILL AGREE AND THAT IT WILL PAY PACKING, SHIPPING AND INSURANCE CHARGES WHICH THEY ESTIMATE WOULD AMOUNT TO ABOUT \$5,000. PRESTO STATES THAT MACHINES ARE NOW WORTH CONSIDERABLY MORE THAN WHEN THEY BOUGHT THEM.

5. PRESTO WILLING TO EXECUTE CHATTEL MORTGAGE TO ACME-SOCIETY AS INTERIM MEASURE IN ACCORDANCE WITH ANY OF ABOVE ALTERNATIVES. INFORMATION HERE IS THAT CHATTEL MORTGAGE EXECUTION AND RECORDING WOULD TAKE ONE TO TWO WEEKS.

6. RAND AND EMBASSY OFFICER ALSO CALLED ON LAW FIRM OF LEE AND LI ON RECOMMENDATION OF EMBASSY. FIRM IS ONE OF MOST ENINENT AND REPUTABLE IN TAIWAN. OTHER PROMINENT FIRM OF TSAR AND TSAI IS ALREADY RETAINED BY FNCB. RAND HAS NOT DISCUSSED PRESTO CASEK WITH TSAR AND TSAI OR FNCB.

7. PAUL S.P. HSU AND C.Y. YIN OF LEE AND LI ADVISE THAT ATTACHMENT WILL LIE EVEN THOUGH PRESTO NOT AN ABSCONDING DEBTOR BUT THAT A CASH DEPOSIT IN AMOUNT OF ONE-THIRD OF DEBT WOULD BE REQUIRED AS A BOND IN ORDER TO INSTITUTE PROCEEDINGS. THERE ARE NO BONDING COMPANIES. ATTACHMENT COULD BE EFFECTED IN A MATTER OF DAYS, ASSUMING THAT MACHINES CAN BE LOCATED AT PRESTO FACTORY IN TAIWAN AREA WHERE PRESTO STATES THAT THEY NOW ARE. ATTACHMENT WOULD REPRESENT ONLY COMMENCEMENT OF ACTION AND LENGTH OF TIME TO PROCEED TO JUDGMENT WOULD DEPEND ON SPEED WITH WHICH CASE CAN BE BROUGHT LIMITED OFFICIAL USE

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TO TRIAL AND PRESENTED BY WITNESSES. APPEAL WOULD ALSO BE POSSIBILITY. LEE AND LI FEES TRANSLATE INTO ABOUT \$50 PER HOUR.

8. EMBASSY HAS ALREADY REQUESTED AN ADVISORY OPINION FROM MINISTRY OF FINANCE ON POSSIBILITY OF WAIVER OF CUSTOMS DUTY BUT HAS RECEIVED NEGATIVE RESPONSE, DUE PERHAPS IN PART TO UNDESIRABLE PRECEDENT SUCH DECISION

WOULD SET.

9. PRESTO HAS PROVIDED FINANCIAL STATEMENTS FOR ONLY 1973. THESE SHOW INSUBSTANTIAL EQUITY POSITION. BUT PRESTO ALLEGES RENEWAL OF ORDERS FOR ITS TELEVISION PARTS BY AMERICAN MANUFACTURERS WHO HAVE ALREADY WORKED OFF THEIR ACCUMULATION ON INVENTORY. PRESIDENT ESKUCHEN HERE FROM CHICAGO WHERE HE STATES THAT HIS WHOLLY-OWNED COMPANY PRESTO USA IS ALSO A TELEVISION PARTS PRODUCER OF LONG STANDING. HE ADDS THAT HE HAS DONE BUSINESS OVER THE YEARS WITH AMERICAN MACHINE TOOL MANUFACTURERS INCLUDING GIDDINGS AND LEWIS AS WELL AS ACME AND WOULD NOT WISH TO HURT HIS REPUTATION. PRESTO PEOPLE RIDICULE IDEA OF BANKRUPTCY AND STATE THAT FNCB AND TRADE CREDITORS ARE BEING KEPT UNDER CONTROL. BUT THERE IS NOT, OF COURSE, ANY ASSURANCE THAT BANKRUPTCY WILL NOT TAKE PLACE.

10. EARLY REACTION WOULD BE APPRECIATED ON COURSE OF ACTION TO BE PURSUED, WHETHER TRANSFER (INCLUDING PERHAPS INTERIM CHATTEL MORTGAGE) OR ATTACHMENT ROUTE. EMBASSY/RAND RECOMMEND TRANSFER AS MOST EXPEDITIOUS AND LEAST EXPENSIVE COURSE AND ONE OFFERING BEST CHANCE OF MAXIMUM REPAYMENT. WHICHEVER COURSE OF ACTION IS PURSUED, MATTER SHOULD BE TURNED OVER TO LEE AND LI. POPPLE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: EQUIPMENT, LITIGATION, BANK LOANS, DEBT REPAYMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 21 MAY 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: greeneet
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975TAIPEI02805
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750177-1177
From: TAIPEI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750529/aaaabamh.tel
Line Count: 141
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION XMB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 STATE 109645
Review Action: RELEASED, APPROVED
Review Authority: greeneet
Review Comment: n/a
Review Content Flags:
Review Date: 15 JUL 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <15 JUL 2003 by KelleyW0>; APPROVED <14 NOV 2003 by greeneet>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: RECOVERY OF MACHINES FROM PRESTO TAIWAN DEPARTMENT PASS EXIM BANK
TAGS: EFIN, TW, XMB, PRESTO TAIWAN LTD
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006